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SUBJECT: Southern Sudan: Overview of Southern Banking Sector

REF: Khartoum 00276

¶1. (SBU) SUMMARY: On February 8, officials at CG Juba met with the Governor of the Bank of Southern Sudan (BOSS) Elijah Malok Aleng Mayen, who is also Deputy Governor of the Bank of Sudan (BOS). Aleng explained that the BOSS, which began full operations on February 1, is a semi-autonomous department of the BOS (reftel). Overall monetary policy will continue to be set nationwide by the BOS Board of Governors, of which Aleng is a member, but the BOSS will manage and disburse independently all money transferred to the Government of Southern Sudan (GoSS). The BOSS will also license and regulate banks operating in the south using regulations set by the BOS for traditional (non-Islamic) banking.

¶2. (SBU) To manage the GoSS money, the BOSS plans on establishing three overseas accounts with commercial banks in the Middle East, Europe, and a third location (NOTE: Sanctions prevent an account in the U.S. End note.) Aleng said that he knew the exact amount of transfers from the Government of National Unity (GNU) to the GoSS but refused to divulge it, saying it was privileged information. End Summary.

Distributing Responsibility

¶3. (SBU) General monetary policy, such as money supply, reserves, and interest rates, will continue to be defined by the nine-member BOS Board of Governors in Khartoum. Aleng is one of three southern members of this board. The central bank will also continue to establish the requirements for licensing and regulating the banking industry. However, within the south, the BOSS will directly license, regulate, and inspect banks. The BOSS currently has 45 economists, 17 from the old BOS operations in the south and 28 from the SPLM. They plan to employ 89 economists to conduct inspections, review licensing applications, collect economic statistics, and issue reports. According to Aleng's Deputy, Thom Rago Ajak, all BOSS economists have a college degree in finance.

¶4. (U) The locally-owned Nile Commercial Bank was the first bank established in the south with a BOSS issued license (reftel). The Kenya Commercial Bank has now been granted a license as the first foreign bank and will start operations soon. Licensing requirements for foreign banks are stricter, including a requirement of USD 25 million base capital, twice the requirement for local banks.

¶5. (U) The other major area of BOSS responsibility is the managing of GoSS funds. The central BOS collects all

government revenues for Sudan and then disburses money to the BOSS on orders from the GNU Ministry of Finance and National Economy. The BOSS then manages this money and disburses it under the direction of the GoSS Ministry of Finance and Economic Planning. Aleng said that the BOSS would be establishing three interest-bearing accounts at commercial banks in the Middle East, Europe, and a third location to be determined.

¶6. (U) CG Juba officials asked if the BOSS would be able to issue its own bonds. Aleng said that he believes the GoSS Ministry of Finance and Economic Planning will, although this has not been officially decided. When asked how much the BOS has disbursed to the BOSS, Aleng explained that he was not allowed to divulge that information for political reasons. Aleng said that the Governor of the BOSS is intended to be free of political influence; however, he acknowledged that the president of the GOSS could fire him at any time and appoint whomever he wanted.

New Money

¶7. (U) The BOSS is preparing for the southern launch of the new Sudanese Pound, projected to start on July 1. Printing has commenced on the new pound, which will be phased in gradually. All previous Sudanese currencies will remain legal tender and be pulled from circulation over time. The new pound will worth 100 Sudanese Dinars (or 1000 old Sudanese Pounds). Aleng said the new currency is necessary because the GoSS is unable to control its money supply, and southern areas are still

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using whatever money they used at the time of the CPA signing -- Dinars in garrison towns, old Sudanese Pounds in most SPLA controlled areas, Ugandan shillings in Equatoria, Ethiopian Birr along that border, Kenyan shillings in the southeast, and others. He said southerners have been unwilling to adopt the Dinar, because it is "Arab money."

Comment and Conclusion

¶8. (SBU) Aleng claimed that he was just an "accountant" and needed to be free of political influence. However, the fact that he serves at the pleasure of the President of the GoSS shows safeguards against corruption are not completely in place. He acknowledged the danger of the central bank becoming the private account of powerful individuals, and vowed to prevent that from taking place to protect the institution.

¶9. (SBU) CG Juba officials had earlier spoken with the president of a private international bank that had looked into opening an office in the South, but expressed concerns over transparency and accountability. In addition to the high base capital requirement, the bank president had concerns about consistent enforcement of regulations, a requirement to take a local partner (Note: Aleng made no mention of this requirement. End note.), and the fear of being pressured to give loans to friends and/or relatives of powerful politicians. During the February 8 meeting, Aleng acknowledged these concerns and promised to prevent them, but offered little details as to how he could accomplish this and reassure investors.

Bio Data

¶10. (SBU) Aleng was educated at Louvanium University in

Kinshasa and in Khartoum in the 1960s; he served as SPLM Ambassador to Zaire and Central Africa in the 1980s. His credentials are unclear, and he admits that he stopped being an economist a long time ago and is now a politician. Aleng seemed uncomfortable discussing technical accounting details. A Dinka Bor, Aleng was originally appointed by John Garang, his nephew.

¶11. (SBU) Aleng's Deputy, Bank Manager Thom Rago, graduated with a degree in finance from the University of Khartoum and has worked for the BOS since 1981. His previous position was manager of the BOS External Debt Department. Ajak is a Shilluk from south of Malakal.

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